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SUBJECT: SCENESETTER FOR VISIT OF U/S ROOD TO ROME, JUNE
20-23

REF: ROME 752

Classified By: Acting Political Minister-Counselor Gabriel Escobar for
Reasons 1.4 (B) and (D)

¶1. (C) Summary: Your visit to Rome presents a well-timed opportunity to engage the GOI on a number of important security issues in the wake of the successful meetings between the President and PM Berlusconi on June 12. In particular, the positive atmosphere generated by the visit should contribute to fruitful discussions on issues ranging from Iran to Missile Defense, PSI to Cluster Munitions. PM Berlusconi's government has made clear that it supports a strong stance on Iran and wants a seat at the table in P5 plus 1 discussions, although recently it has shown flexibility on this point. President Bush did not make any promises with regard to P5 plus 1 membership, but he thanked Italy for increasing its commitment to Afghanistan and continuing to play a leadership role in Lebanon and Kosovo. You will be meeting again with Italian Political Director Giulio Terzi, who was recently approved to be Italy's next Ambassador to the UN, and Deputy Director General Filippo Formica who previously served as the MFA Nonproliferation Director. Your interlocutors will be eager to hear about the status of Missile Defense and CFE discussions with Russia and the future development of partnerships like PSI and the Global Initiative to Combat Nuclear Terrorism. End summary.

Political Background

¶2. (C) In May, Silvio Berlusconi assumed his fourth mandate as Prime Minister after having won a clear victory and solid center-right majorities in both chambers of Parliament in April elections. His government has a broad mandate to address Italy's principal challenges: institutional ineffectiveness (symbolized by the Naples garbage crisis), economic stagnation, and providing Italian citizens with a sense of security in the face of increased clandestine immigration and perceived criminal activity. In his first month in office, Berlusconi has moved quickly to deliver on these pledges. Foreign Minister Frattini has come out strongly in favor of a firmer line on Iran, increased military and civilian commitment in Afghanistan, and a rebuilding of the transatlantic bond which he believes was allowed to weaken under the previous government of Romano Prodi. MOD La Russa has called for an increase in Italian defense spending (which currently lies just under one per cent of GDP) and a more robust Italian role in NATO. Italy's growing dependence on Russian energy imports, combined with Berlusconi's traditional friendship with Vladimir Putin, has already manifested itself in a reluctance to appear overly critical of Moscow.

Iran

13. (C) Italy has supported a firm line on Iran both in the UNSC and on the IAEA Board of Governors. The Berlusconi government has said publicly that it favors stronger measures against Iran and, unlike the previous government of PM Prodi, has avoided meeting with Iranian government officials. During the FAO Summit in Rome, PM Berlusconi and President Napolitano refused to meet with Ahmadinejad. Berlusconi did not receive as much support as he had hoped from President Bush for Italy's inclusion in the P5 plus 1 (Italian officials unwisely inflated press expectations prior to the visit), so your interlocutors will likely seek reassurance that Italy will still be consulted as fully as possible on Iran measures.

14. (C) Since lifting its hold on the EU designations of Bank Melli and other Iranian entities in April, Italy has been quietly supportive of EU efforts to move forward on additional sanctions. GOI interlocutors have told us that, barring a positive response from Tehran to Solana's delivery of the P5 plus 1 incentives package, Italy favors moving forward on the designations at the earliest possible opportunity. Clear signs of their support at the EU, however, have been absent and we are looking to Italy to play a stronger role in lobbying other EU countries to support additional sanctions.

Missile Defense, CFE, Post-START

15. (C) Italy is a strong supporter of U.S. Missile Defense and CFE-related efforts and follows the 2 plus 2 negotiations

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closely, but its growing energy dependence on Russia and Berlusconi's traditionally close relationship to Putin will cause this government to tread lightly for fear of antagonizing Moscow. Italian interlocutors were pleased with the MD language in the Bucharest Summit Declaration and the Sochi Strategic Framework Declaration, which gave the GOI the multilateral framework it needed to be more openly supportive of our MD efforts. As a participant in the MEADS program and a Missile Defense Framework Partner, Italy is particularly keen on increasing U.S.-Italian MD technical cooperation. Your interlocutors will be interested in the status of MD, CFE and post-START negotiations with the Russians (one of the post-START negotiations was held in Rome last September), as well as an update on negotiations with Poland and the Czech Republic.

PSI, Global Initiative

16. (S) Italy values its status as a Founding member of PSI and Initial Partner Nation in the Global Initiative, but scarce staffing and a cumbersome bureaucratic framework have impeded Italy from playing a lead role in either initiative. After his meeting with you last December, Italian Political Director Terzi lobbied the Maltese government to join the GI, which it subsequently did. GOI officials were flustered at our recent (May 30) request to inspect a Maltese Flagged vessel suspected of carrying components for the Syrian nuclear program because it was not clear to them whether it was a PSI request. Had the request been tagged as a PSI matter, they claimed, the GOI could have activated the necessary legal machinery required to carry out the request in a prompt manner. Your interlocutors will be eager to compare notes on this episode and to discuss ways to avoid such mishaps in the future.

Cluster Munitions

17. (SBU) Italian public and parliamentary opinion has been critical of the U.S. stance on cluster munitions. Despite this, during the negotiations leading up to the Dublin

Convention, Italy worked closely with the UK and other countries that host U.S. forces to push for language that not only preserved interoperability but ensured that U.S. stockpiles on overseas bases were not affected by the Convention.

Export Controls

18. (S) Post has recommended a resumption of the biennial U.S.-Italy Export controls consultations, last held in 2004 (Reftel, included in background papers ISN supplied for the visit). That resumption would be particularly useful in light of the coming to office of a new Italian Government and a number of export control issues that we have had with the Italians over the last three years (most recently, an Italy-based office of a Swiss firm may have been involved in the shipment of helicopter parts to Iran). While it is likely that GOI authorities are doing the best they can to effectively administer Italian export control regulations, it is Post's view that that gaps in the Italian system exist and are, in part, related to underfunding and lack of personnel. Our GOI interlocutors have said that a renewed dialogue between U.S. and Italian export control experts would be useful, but have also expressed concern that it might be seen as a sign the USG lacks confidence in the Italian export control system. Your meetings could provide an opportunity to point out that recent instances of possible transshipment of suspect goods make it essential that we understand better how to bring our two systems into alignment.

GNEP, Nuclear Energy

19. (SBU) Italy joined the Global Nuclear Energy Partnership (GNEP) in November 2007, but has not so far played an active role in it. (Among the reasons: the Prodi government was deeply ambivalent toward nuclear energy; there also has been a loss of GOI nuclear expertise since the 1987 referendum that led to a moratorium on nuclear power in Italy.) Berlusconi's Economic Development Minister Claudio Scajola has enthusiastically supported the return of nuclear energy to Italy, so this may be a good moment to encourage more active Italian participation in GNEP. Participation by Italian firms such as ENEL or Ansaldo Nucleare in the GNEP infrastructure working group, for example, would be a good

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first step.

110. (SBU) Another concrete step that Italy could take to clear the way for nuclear power in Italy and in Italian investments abroad, would be to ratify the IAEA Convention on Supplementary Compensation (CSC) for Nuclear Damage, which will serve as the basis for a global nuclear liability regime once it comes into effect. (Italy is one of the few countries to have signed the CSC; the U.S. just ratified it in May 2008.) Since Italian electricity para-statal ENEL has acquired nuclear power plants abroad, and is considering building others, it is in Italy's interest to ratify the CSC.

Italian CSC ratification also would make it more feasible for U.S. firms such as Westinghouse to compete for business in Italy.

111. (SBU) Points to watch out for: a) In the past, the GOI has approached the USG at the highest levels, seeking to return to the U.S. for treatment/storage some spent U.S.-origin nuclear fuel, which was irradiated in Italy more than three decades ago. The U.S. Secretary of Energy has determined that DOE does not have authority to accept that spent fuel, although DOE may be able to accept separate, small amounts of plutonium and highly-enriched uranium now being held in Italy. b) Italian officials have expressed interest in Italy's becoming a member of the Generation IV International Forum (GIF) for nuclear technology development,

rather than just participating in it through Euratom. They claim that the U.S. Department of Energy said in summer 2007 that they would be welcome to join GIF, but no invitation has been extended by that organization. The USG has not reached an inter-agency-approved position on whether we would support Italian membership.

Looking Ahead to Italy's G-8 Presidency

¶12. (C) Italy has expressed an interest in making Nonproliferation a theme of its G8 Presidency in 2009, but working-level officials have only recently started to think seriously about specific potential initiatives. Your meetings are an opportunity to ask about their current thinking and to spur them to plan more actively. Italy can be expected to continue the G8 commitment to expand the Global Partnership beyond Russia and other Former Soviet Union states, but will likely stop short of any measures that it believes would antagonize Moscow.

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